

Message Text

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INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 SSO-00 INT-08 SCI-06

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E.O. 11652: N/A

TAGS: ENRG, CA

SUBJECT: B.C. PETROLEUM CORPORATION SETS NEW WELLHEAD PRICE FOR

N NATURAL GAS

1. THE B.C. PETROLEUM CORPORATION HAS ANNOUNCED A NEW WELLHEAD PRICE FOR NATURAL GAS WHICH WILL AFFECT B.C.'S 70 NATURAL GAS PRODUCERS. THE PRICES ARE OFFERED NET OF ROYALTIES, MEANING THE PROVINCE WILL SCRAP ITS PRESENT ROYALTY SYSTEM FOR NATURAL GAS (THOUGH NOT FOR OIL).

2. JAMES H. RHODES, CHAIRMAN OF THE B.C. PETROLEUM COMMISSION SAID THE NEW WHOLESALE PRICES, 61 CENTS PER MCF AT THE U.S. BORDER, 58 CENTS MCK TO B.C. HYDRO AND SOMEWHAT LESS TO INLAND NATURAL GAS AND PACIFIC NORTHERN GAS WILL YIELD DOLLARS 100 MILLION INCREASED REVENUE THIS YEAR OVER 1973. OF THIS DOLLARS 50 MILLION WILL ACCRUE TO THE PROVINCE, DOLLARS 41 MILLION TO PRODUCERS AND DOLLARS 8/9 MILLION TO WESTCOAST TRANSMISSION COMPANY LIMITED FOR CAPITAL PURPOSES.

3. THE NEW PRICE SCHEDULE AVERAGING 82 PERCENT INCREASE OVER

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EXISTING PRICES, IS FOR A SIX YEAR PERIOD FROM 1974 (RETROACTIVE TO

NOVEMBER 14, 1973) TO THE END OF 1979 WHEN IT WILL BE REVIEWED.

IT SETS OUT PRICES FOR QUOTE NEW GAS UNQUOTE AND QUOTE FLOWING GAS UNQUOTE. THE FORMER REFERS TO WELLS STILL TO BE BROUGHT IN OR STILL TO BE BROUGHT UNDER CONTRACT, QUOTE FLOWING GAS UNQUOTE REFERS TO WELLS ALREADY UNDER CONTRACT. FOLLOWING ARE THE PRICES PROPOSED:

	NEW	FLOWING
1974	22 CENTS	19 CENTS
1975	23 CENTS	20.12 CENTS
1976	25 CENTS	21.25 CENTS
1977	27 CENTS	22.3 CENTS
1978	30 CENTS	23.5 CENTS
1979	33 CENTS	24.5 CENTS

PRICES FOR FLOWING GAS ARE AVERAGE AS THERE IS ACTUALLY A SCHEDULE OF THREE PRICES DEPENDING ON WHEN THE PRODUCTION WAS TAKEN UNDER CONTRACT.

4. ACCORDING TO THE PRESS THE NEW PRICE SCHEDULE OFFERED IS FIRM AND NOT NEGOTIABLE. IF THE PRODUCERS DECLINE IT, THEN THE WHOLE NEW BORDER PRICE WILL BE PASSED BACK TO PRODUCERS BUT THE GOVERNMENT WILL DO AS IT SEES FIT BY WAY OF ROYALTY STRUCTURE. IT APPEARS THE NEW SCHEDULE PROPOSED PROVIDES STABILITY TO B.C. PRODUCERS AS COMPARED TO THAT IN THE PROVINCE OF ALBERTA WHICH IMPOSES A FLOATING ROYALTY CHARGE THAT CAN CHANGE AT ANY TIME.

5. THE CHAIRMAN STATED B.C. HAS 12 TRILLION CUBIC FEET OF PROVEN GAS RESERVES AND CAN EXPECT TO PROVE AN ADDITIONAL 18 TO 40 TRILLION CUBIC FEET.

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